



Testimony of
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On Behalf of
Maritime Cabotage Task Force

**Hearing on Foreign Vessel Operations in the
United States Exclusive Economic Zone**

Subcommittee on Coast Guard and Marine Transportation
Committee on Transportation and Infrastructure

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Good afternoon and thank you for holding this hearing today on this important, but often overlooked, subject. My name is James Weakley. I am the President of the Lake Carriers' Association, an organization of U.S.-flag vessel operators on the Great Lakes. Today, however, I am also testifying on behalf of the Maritime Cabotage Task Force, the most broad-based coalition the U.S. maritime industry has ever assembled to promote the Jones Act and other American cabotage laws. Its 400-plus members span the United States and its territories and represent vessel owners and operators, maritime labor groups, ship construction and repair yards, marine equipment manufacturers and vendors, trade associations, dredging and marine construction contractors, pro-defense groups, and companies in other modes of domestic transportation. The United States has built upon a foundation of U.S. ownership, construction and crews an unsubsidized domestic fleet and related maritime infrastructure that is the world leader in efficiency, innovation, and safety.

Our vessels operate under strict and extensive Coast Guard standards; they are well-built, well-maintained, and crewed by well-trained American officers and crew. The regulations advanced and enforced by the U.S. Coast Guard on our vessels are the most effective and demanding in the world. Relying on U.S. citizens to build, operate, and crew these vessels while navigating the coasts and rivers of America means not only that these well-paying, family wage jobs stay in America, but that our fleet is in the hands of hard-working men and women who have a personal stake in the environmental and economic well-being of the United States. Communities across America are safer for having these American vessels serve our nation's maritime transportation needs.

History has shown that favoring American vessels engaged in operations within our Exclusive Economic Zone produces significant benefits for the nation. In 1976, Congress enacted legislation that extended our nation's fisheries jurisdiction out to 200 miles offshore. The purpose was to better manage the fishery resources off our coasts, which were seriously threatened by foreign over fishing and exploitation. By giving American vessels first priority access to that resource over foreign-flag vessels, Congress created a system that eventually replaced all of the older foreign fleets with modern American vessels. This "Americanization" of the fishing industry not only produced some of the best managed fisheries in the world, it also increased fishing vessel safety while simultaneously securing for Americans far more of the economic benefits of fishery resources.

Our vessels must meet federal, state, and local laws that protect America's waterways and tidal areas. Our vessels are required to meet stringent oversight inspections set to the highest standards in the world. Our vessels must follow the U.S. Code of Federal Regulations, which sets high standards for vessel construction and repair and crew training, and stringent licensing requirements for attainment of mariner credentials. U.S. regulations regarding fire fighting, life saving, safety, navigation, and communication equipment are more rigorous than typical foreign requirements. The procedures regarding the stowage and carriage of hazardous goods on our vessels are more stringent than international requirements. Additionally, because our vessel operators are liable under U.S. laws and regulations for failures in performance, they are highly penalized by their insurance underwriters and by demanding charterers if they attempt to cut corners or run a slipshod operation.

International vessel safety and environmental protection standards are issued under several international conventions by the International Maritime Organization (IMO), a specialized branch of the United Nations. Government responsibility for oversight and enforcement is vested primarily in the nation in which a vessel is registered and whose flag the vessel flies, known as the flag administration. Flag administrations are responsible for ensuring their vessels' compliance with applicable safety, security, and environmental standards, and for verifying the accuracy of documents and certificates issued under their authority. This responsibility requires flag administrations to have the necessary domestic laws, administrative infrastructure, and qualified personnel in place to oversee vessel inspections, ensure crew competency, investigate vessel accidents, and take appropriate regulatory enforcement actions. The term "flag of convenience" is often used to describe a flag administration used by vessel operators for purposes of avoiding government regulations and reducing operating costs.

Although many flag administrations take their responsibilities seriously and are active participants within the IMO, oversight and enforcement among IMO members varies dramatically. While many nations' maritime standards within the regulatory regime of the IMO may be similar, the application and enforcement of those standards by other flag administrations is significantly different and more lenient as compared to the standards enforced on vessels carrying an American flag on their stern. Many of the foreign-flag vessels that compete with American vessels in the international trades are much more loosely regulated, often unsafe, and frequently manned by poorly trained personnel. Some foreign ships do not have the burden of following national guidelines that guarantee a well-maintained vessel that is constructed for superior safety. Some foreign crews are paid extremely low wages, receive few benefits, and work inhumane schedules under inhumane conditions. Many do not have the superior level of training or professionalism that characterizes the U.S. merchant marine. Also, because foreign vessels generally don't pay U.S. taxes and are not required to meet higher U.S. crew, maintenance and operating standards, U.S. laws essentially provide foreign vessels with a cost advantage while operating in the U.S. EEZ.

For this reason, the U.S. Coast Guard has implemented Port State Control inspections on targeted foreign-flag vessels entering U.S. harbors to reduce the presence of substandard shipping in U.S. waters. The Port State Control Program is based on a safety and environmental protection compliance targeting matrix to screen for poorly maintained or managed vessels. Vessels with a higher risk profile are more likely to be inspected by the Coast Guard in or near a U.S. port to determine whether they are a potential hazard to the port or the environment. The Coast Guard is empowered to detain, deny entry to U.S. waters, or expel from U.S. waters a substandard vessel if needed to ensure safety, security, or environmental protection. The nature of some resource development work in the Gulf of Mexico, and its proximity to other countries, allows some foreign-flag vessels engaged in this work to avoid calling at U.S. ports, which complicates Port State Control Program effectiveness regarding these vessels.

While there is a robust American vessel presence in the Gulf of Mexico, foreign mobile offshore drilling units, seismic vessels, dive support vessels, derrick barges, and other vessels are also routinely performing industrial tasks on the U.S. outer continental shelf. Flags of convenience commonly used by offshore drilling and support vessels include the Marshall Islands (which registered the Deepwater Horizon rig), Panama, Liberia, the Bahamas, Singapore,

and Malta. As of May 2010, the Coast Guard's Port State Control Program's list of flag administrations that have a detention ratio higher than the overall average included, among others, Panama and Malta. Additionally, many of the previously named countries are relatively small, seldom visited by the vessels they register to fly their flag, and unable to afford their own national vessel inspection infrastructure to ensure that the vessels flying their flag meet the highest international standards.

Are American vessels safer than flag of convenience ships, including vessels registered under certain nations identified on the Coast Guard Port State Control Program's list? The answer is yes, for the many reasons described above. In addition, American vessels provide an important economic benefit for our nation. In 2006, an estimated nearly 500,000 jobs were attributable to the Jones Act. These high quality jobs include positions crewing, building, maintaining, and repairing vessels, as well as shore-side management and support of vessels in the U.S. domestic trade. In 2009 dollars, the indirect and induced jobs accounted for \$35.5 billion in U.S. value-added (i.e., Gross Domestic Product) and \$22.6 billion in labor compensation. According to a recent study by PricewaterhouseCoopers for the Transportation Institute, the Jones Act generates \$100.3 billion in gross economic output, \$45.9 billion in value added, \$29.1 billion in labor compensation, and \$11.4 billion in taxes to federal, state, and local governments. A significant portion of this economic activity takes place in the coastal waters of the Gulf of Mexico.

We hope that this Committee will consider these factors as it considers its response to the Deepwater Horizon spill.